

Great Britain & Canada Investments
(1968) Limited

3rd

ANNUAL REPORT
TO THE SHAREHOLDERS

For the Year Ended 31st December, 1970

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

(Incorporated under the Canada Corporations Act)

1245 SHERBROOKE STREET WEST, MONTREAL 109, QUEBEC

OFFICERS

W. A. ARBUCKLE, C.A.
President

NEIL B. IVORY
Vice-President

C. L. LAROCK, F.C.I.S.
Secretary-Treasurer

R. HALLER
Assistant Secretary-Treasurer

DIRECTORS

W. A. ARBUCKLE, C.A.	Montreal, Quebec
J. G. S. GAMMELL, M.B.E., C.A.	Edinburgh, Scotland
M. H. R. GOVETT	London, England
JOHN S. LANE, C.F.A.	Montreal, Quebec
C. L. LAROCK, F.C.I.S.	Montreal, Quebec
JOHN O. McCUTCHEON	Montreal, Quebec
A. DEANE NESBITT, O.B.E., D.F.C.	Montreal, Quebec
J. G. PHILLIMORE, C.M.G.	London, England

MANAGERS

PEMBROKE MANAGEMENT LTD.
Montreal, Quebec

AUDITORS

TOUCHE ROSS & Co., CHARTERED ACCOUNTANTS
Montreal, Quebec

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

MONTREAL, 29TH MARCH, 1971.

To the Shareholders:

Your Directors present the Third Annual Report of the Company covering the year ended 31st December, 1970.

TOTAL ASSETS

Shareholders' Equity amounted to \$21,726,494 as at 31st December, 1970, as compared with \$26,204,392 one year earlier, a decrease of \$4,477,898 or 16.2%. This percentage depreciation can be compared with the percentage change in the following three main stock market indices:

Montreal Stock Exchange Composite	-3.7%
Dow Jones Industrials	+4.8%
Standard & Poor 500 Stocks	+0.1%

After deducting the outstanding Debentures and the two classes of Preferred shares at their redemption prices, the net asset value per Common share is equivalent to \$16.33 down from \$20.83 per Common share as at 31st December, 1969. Your attention is drawn to the List of Holdings shown on Pages 9 to 12 of this Report.

INCOME

Income from Investments totalled \$801,935 and after taxes, interest and expenses, net income is shown at \$448,433 compared with \$638,625 a year ago.

The dividend on the First Preferred shares absorbed \$315,000 and as no dividends on the Common shares are to be paid so long as any Second Preferred shares are outstanding, the balance of \$123,226 was, after adjustment, added to Retained Earnings.

PARTIAL REDEMPTION OF SECOND PREFERRED STOCK

In accordance with the policy outlined previously by the Board of Directors, a total of 204,834 Second Preferred shares were redeemed at their par value of \$2.00 per share during the year. In addition 12,788 shares were purchased for cancellation leaving 380,521 shares still outstanding.

It is the Board's present intention to continue to follow the abovementioned policy and so to redeem in each year an appropriate number of

the Second Preferred shares. Thus holders who retain their Second Preferred shares may reasonably expect to receive annually redemption proceeds approximately equal to the dividend formerly paid on the Common shares of the predecessor corporation.

SUTTON VENTURES LTD.

Sutton Ventures Ltd. in which this Company holds a 37.7% share interest, is now fully operative and as at its year-end, 31st October, 1970, held seven investments at a book cost of \$1,333,288 and with an aggregate value of \$1,399,193. The balance of its funds, some \$1,400,000, was held in the form of Guaranteed Certificates of Deposit.

DIRECTORATE

In accordance with the By-laws the following directors being eligible offer themselves for re-election:

W. A. Arbuckle, C.A.
J. G. S. Gammell, M.B.E., C.A.
M. H. R. Govett
John S. Lane, C.F.A.
C. L. Larock, F.C.I.S.
John O. McCutcheon
A. Deane Nesbitt, O.B.E., D.F.C.
J. G. Phillimore, C.M.G.

REVIEW AND OUTLOOK

For both Canada and the United States it is now apparent that government moves designed to stimulate the economy will take precedence over existing anti-inflationary policies. The inability of conventional monetary measures to be effective in attacking inflationary pressures resulting from excessive wage increases was not unexpected in the absence of any move on the part of labour to join the voluntary programme of restraint which the business community entered into with the Federal Prices and Income Commission. The

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

To the Shareholders: (Continued)

REVIEW AND OUTLOOK — (Continued)

Canadian Government's determination to disinflate had been confirmed by the unpegging of the Canadian dollar as of 1st June, 1970, in contravention of the International Monetary Fund regulations. There had been considerable upward pressure on the Canadian dollar during the preceding weeks and containing the dollar within the official limits would have involved an easing in Ottawa's monetary policy. This could have jeopardised the domestic objectives. But increasing unemployment caused the Government to re-direct priorities from the fight against inflation towards quickening economic activity. Thus the recent easing in monetary policy should help regain some of the lost momentum of the economy and reduce the high unemployment figures for which the Government has become so severely criticised. But much will depend on the Tax Reform Bill now expected in early summer. Hopefully it will contain some basic modifications to the original White Paper proposal.

In this renewed reflationary environment continuing strength can be expected in Canadian and U.S. stock markets and emphasis is being placed by your Managers on industries which are less vulnerable to spiralling wage costs and on those that will benefit to the greatest extent from lower long-term interest rates and the greater availability of money.

One industry with a relatively low labour content is the oil and gas industry and companies with large reserves should stand to benefit from the growing shortage of energy sources. The problem from the point of view of investment is that Canadian oil and gas companies tend to sell at

twice the multiple of earnings and cash flow of their U.S. equivalents which also enjoy better marketability. For this reason a broad exposure in the United States is justified.

CHANGE IN NAME OF COMPANY

This Company has now been in existence since 22nd November, 1968, the date of commencement of business. Over two years having elapsed, we are now advised that it is in order to apply to the Department of Consumer and Corporate Affairs, Ottawa, for Supplementary Letters Patent changing the Company's name from "Great Britain & Canada Investments (1968) Limited" to "Great Britain & Canada Investments Limited".

The approval of the Shareholders of the relevant By-law No. Three will be sought at the forthcoming Special General Meeting.

AUDITORS

The books and accounts of your Company have been audited by Messrs. Touche Ross & Co., Chartered Accountants, whose report is attached.

SPECIAL AND ANNUAL GENERAL MEETING

The Special and Annual General Meeting of Shareholders will be held on 10th May, 1971. Holders of the Company's Preferred shares are not entitled as such to Notice of such Meeting nor to attend or vote thereat.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,

President.

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31ST DECEMBER, 1970

	<u>1970</u>	<u>1969</u>
INCOME FROM INVESTMENTS	\$801,935	\$952,338
Withholding taxes, deducted at source	26,251	28,385
	<hr/>	<hr/>
	775,684	923,953
	<hr/>	<hr/>
Management expenses (Note 3)	74,703	94,780
Other expenses	34,713	19,439
Income and other taxes	135,310	87,883
Interest	82,525	83,226
	<hr/>	<hr/>
	327,251	285,328
	<hr/>	<hr/>
NET INCOME	448,433	638,625
Retained earnings at beginning of year	413,314	123,929
Stock transfer tax assessment relating to prior period	(10,207)	—
	<hr/>	<hr/>
	851,540	762,554
	<hr/>	<hr/>
Dividends on 5¼% Preferred shares	315,000	349,240
	<hr/>	<hr/>
RETAINED EARNINGS AT END OF YEAR	\$536,540	\$413,314
	<hr/>	<hr/>
Net income per Common share	\$ 0.15	\$ 0.36
	<hr/>	<hr/>

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 1970

	1970	1969
INVESTMENTS AT MARKET VALUE (Note 6)	\$19,450,245	\$26,531,002
CURRENT ASSETS:		
Cash	879,882	897,051
Short term deposits	3,550,000	1,072,500
Accounts receivable	220,337	106,167
Accrued income on investments	78,337	107,957
	<u>4,728,556</u>	<u>2,183,675</u>
CURRENT LIABILITIES:		
Preferred dividend payable	78,750	78,750
Accounts payable and accrued expenses	862,108	883,287
Accrued debenture interest	6,875	6,875
Provision for income taxes	4,574	41,373
Funded debt (Note 1)	1,500,000	—
	<u>2,452,307</u>	<u>1,010,285</u>
NET CURRENT ASSETS	<u>2,276,249</u>	<u>1,173,390</u>
	21,726,494	27,704,392
FUNDED DEBT (Note 1)	—	1,500,000
SHAREHOLDERS' EQUITY (Note 5)	<u>\$21,726,494</u>	<u>\$26,204,392</u>
REPRESENTED BY:		
Capital stock (Note 2)	\$22,927,616	\$23,362,860
Unrealized depreciation of investments (Note 6)	(3,062,972)	(877,839)
Contributed surplus (Note 8)	1,325,310	3,306,057
Retained earnings	536,540	413,314
	<u>\$21,726,494</u>	<u>\$26,204,392</u>

Signed on behalf of the Board of Directors:

W. A. ARBUCKLE, *Director*.

C. L. LAROCK, *Director*.

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1970

	<u>1970</u>	<u>1969</u>
NOTE 1. FUNDED DEBT:		
5 ½% Income Debentures, due 1st December, 1971, —		
Authorized and issued	\$ 1,500,000	\$ 1,500,000
	<u> </u>	<u> </u>
NOTE 2. CAPITAL STOCK:		
Preferred shares, —		
5 ¼% Cumulative, redeemable first preferred of \$50 par value —		
Authorized and issued — 120,000 shares.	\$ 6,000,000	\$ 6,000,000
	<u> </u>	<u> </u>
1% Non-cumulative, redeemable second preferred of \$2 par value —		
	<u>1970</u>	<u>1969</u>
Authorized and		
Issued at beginning of year — 598,143 shs.	898,143 shs. . .	1,196,286
	<u> </u>	<u> </u>
Redeemed — 204,834	291,771	409,668
Purchased for cancellation — 12,788	8,229	25,576
	<u> </u>	<u> </u>
	217,622 shs.	300,000 shs. . .
	<u> </u>	<u> </u>
Issued and outstanding — 380,521 shs.	598,143 shs. . .	761,042
	<u> </u>	<u> </u>
Common shares of \$18 par value —		
Authorized — 1,500,000 shs.		
Issued — 898,143 shs.	16,166,574	16,166,574
	<u> </u>	<u> </u>
	\$22,927,616	\$23,362,860
	<u> </u>	<u> </u>

The first preferred shares and the second preferred shares are redeemable at the option of the Company at any time in whole or from time to time in part, on not less than 30 days' notice, in respect of the first preferred shares at \$52.50 per share (in one restricted event at \$50 per share) and in respect of the second preferred shares, at par, plus, in each case, accrued and unpaid dividends, if any, to the date of redemption. The Company may, at any time and from time to time, also purchase the whole or any part of such preferred shares in the open market at a price not exceeding the redemption price thereof plus costs of purchase. No more than 300,000 of the second preferred shares may be so redeemed, purchased or paid off in any one calendar year.

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1970 — Cont'd.

NOTE 3. INFORMATION RE DIRECTORS AND OFFICERS:

The Board of Directors consists of eight members whose aggregate remuneration (included in management expenses) amounted to \$9,006 in 1970 and \$9,104 in 1969. There are four Officers of the Company, two of whom are also Directors. The Officers of the Company do not receive remuneration as such.

NOTE 4. STATEMENT OF SOURCE AND APPLICATION OF FUNDS:

A statement of source and application of funds has been omitted since it is deemed inappropriate for an investment company. The following statement showing changes in shareholders' equity has been substituted therefor.

NOTE 5. CHANGES IN SHAREHOLDERS' EQUITY:

	1970	1969
Shareholders' Equity at beginning of year	\$26,204,392	\$29,076,702
<i>Add:</i>		
Net income for the year	448,433	638,625
<i>Deduct:</i>		
Cost of investments sold	12,904,332	21,809,646
Less proceeds of sale	10,991,121	21,308,515
Loss on sale of investments	1,913,211	501,131
Loss on exchange	70,781	1,378
Profit on 1% preferred shares purchased for cancellation	(3,245)	(1,775)
	1,980,747	500,734
Increase in unrealized depreciation of investments	2,185,133	2,060,961
Par value of 1% preferred shares redeemed and purchased for cancellation	435,244	600,000
Dividends on 5 ¼% preferred shares	315,000	349,240
Stock transfer tax assessment relating to prior period	10,207	—
	4,926,331	3,510,935
Decrease for the year	4,477,898	2,872,310
Shareholders' Equity at end of year	\$21,726,494	\$26,204,392

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1970—Cont'd.

	<u>1970</u>	<u>1969</u>
NOTE 6. INVESTMENTS AT MARKET VALUE:		
Securities at average cost	\$22,513,217	\$27,408,841
Securities at market value	19,450,245	26,531,002
	<hr/>	<hr/>
Difference included in Shareholders' Equity as unrealized depreciation of investments	\$ 3,062,972	\$ 877,839
	<hr/>	<hr/>
NOTE 7. INVESTMENT RESERVE:		
Balance at debit at beginning of year	\$ —	\$ 27,665
Add: Loss on sale of investments (including loss on exchange 1970 \$70,781, 1969 \$1,378 and profit on 1% preferred shares purchased for cancellation 1970 \$3,245, 1969 \$1,775)	1,980,747	500,734
	<hr/>	<hr/>
	1,980,747	528,399
Deduct: Transfer from contributed surplus	1,980,747	528,399
	<hr/>	<hr/>
Balance at end of year	\$ —	\$ —
	<hr/>	<hr/>
NOTE 8. CONTRIBUTED SURPLUS:		
Balance at beginning of year	\$ 3,306,057	\$ 3,834,456
Deduct: Transfer to investment reserve	1,980,747	528,399
	<hr/>	<hr/>
Balance at end of year	\$ 1,325,310	\$ 3,306,057
	<hr/>	<hr/>

NOTE 9. FOREIGN CURRENCIES:

Transactions in foreign currencies during the year were recorded at the relative rates of exchange applicable on the dates of such transactions. Amounts in foreign currencies included in assets and liabilities have been shown in Canadian funds, converted at rates of exchange applicable on 31st December, 1970, any adjustment thereon being credited or charged, as the case may be, to Investment Reserve.

AUDITORS' REPORT TO THE SHAREHOLDERS OF GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

We have examined the statement of financial position of Great Britain & Canada Investments (1968) Limited as at 31st December, 1970, and the statement of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at 31st December, 1970, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & Co.,

Chartered Accountants.

Montreal, Que., 4th February, 1971.

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1970

	Par Value or Number of Shares	Market Value
DEBENTURES (2.10%)		
Williams Brothers Company, 5½%, Conv., 1988	\$200,000	\$ 407,535

PREFERRED STOCKS (6.18%)

Dominion-Scottish Investments Limited, 5%, of \$50	1,500	\$ 46,875
Investors Group, The, 5%, 1969 Series, Conv., of \$25	8,000	157,040
Laurentide Financial Corporation Ltd., \$2, (Secondary), Conv., of \$38	15,000	335,700
Mesa Petroleum Company, \$2.20, Conv., of \$1	2,500	190,335
Power Corporation of Canada, Limited, 5%, 2nd, Series "A", Conv., of \$12	56,300	471,794
		<u>\$1,201,744</u>

COMMON STOCKS (91.72%)

BANKS AND FINANCE (10.76%)

Bank of Montreal, of \$2	20,000	\$ 292,600
Bank of Nova Scotia, The, of \$2	15,000	330,000
Canadian Imperial Bank of Commerce, of \$2	10,000	198,800
Capital Holding Corporation, of \$1	15,000	443,138
Liberty National Life Insurance Company, of \$2	15,000	363,600
National Trust Company, Limited, of \$2	20,000	465,000
		<u>\$2,093,138</u>

DRUGS AND HEALTH CARE (1.90%)

Searle (G.D.) & Co., of \$1	7,000	\$ 370,327
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FOOD (3.21%)

Dominion Dairies Limited, n.p.v.	15,060	\$ 389,753
Tropicana Products, Inc., of \$1	4,000	234,320
		<u>\$ 624,073</u>

COMMON STOCKS (91.72%) (Continued)

	Number of Shares	Market Value
INVESTMENT COMPANIES (8.99%)		
Dominion-Scottish Investments Limited, n.p.v.	60,000	\$ 645,000
Sutton Ventures Ltd., n.p.v.	100,000	1,103,000
		<u>\$1,748,000</u>

METALS AND MINING (6.11%)

Anaconda Company, n.p.v.	5,000	\$ 106,050
British Columbia Molybdenum Limited, Share Purchase Warrants ..	10,000	1,500
Dynasty Explorations Ltd., of \$2	40,800	230,520
Hollinger Mines Limited, of \$5	10,000	367,500
Lornex Mining Corporation Ltd., of \$1	30,000	199,500
Yukon Consolidated Gold Corporation Limited, The, of \$1 ..	240,000	283,200
		<u>\$1,188,270</u>

OFFICE EQUIPMENT (1.65%)

International Business Machines Corporation, of \$5	1,000	\$ 320,928
		<u></u>

PETROLEUM (22.07%)

Aquitaine Company of Canada Ltd., n.p.v.	10,000	\$ 261,300
Atlantic Richfield Company, of \$5	5,000	331,431
General Crude Oil Company, of \$1.25	11,200	393,092
Home Oil Company Limited, Class "B", n.p.v.	10,000	272,500
Marathon Oil Company, n.p.v.	15,000	549,188
Mesa Petroleum Company, of \$1	14,100	576,761
Pennzoil United Inc., of \$0.83 $\frac{1}{2}$	5,000	171,700
Shell Investments Limited, Share Purchase Warrants	10,000	143,800
Standard Oil Company, The, Ohio, of \$5	11,000	858,248
Superior Oil Company, The, of \$2.50	3,000	524,190
Williams Brothers Company, of \$1	6,200	210,591
		<u>\$4,292,801</u>

COMMON STOCKS (91.72%) (Continued)

	Number of Shares	Market Value
PRINTING AND PUBLISHING (3.60%)		
Sun Publishing Company Limited, Class "A", n.p.v.	25,000	\$ 700,000
PULP AND PAPER (4.67%)		
MacMillan Bloedel Limited, n.p.v.	9,500	\$ 257,735
Weldwood of Canada Limited, n.p.v.	41,000	651,080
		<u>\$ 908,815</u>
RETAILING (2.94%)		
Canadian Tire Corporation Limited, Class "A", n.p.v.	22,200	\$ 571,650
TRANSPORTATION (2.35%)		
Kaps Transport Ltd., n.p.v.	10,000	\$ 91,300
Transcon Lines, of \$0.31 ¼	25,000	366,125
		<u>\$ 457,425</u>
UTILITIES (8.06%)		
Maritime Electric Company, Limited, n.p.v.	11,000	\$ 236,500
Montana Power Company, n.p.v.	10,000	344,713
Northern and Central Gas Corporation Limited, n.p.v.	5,000	76,900
Public Service Electric & Gas Company, n.p.v.	10,000	282,800
Texas Eastern Transmission Corporation, of \$3.50	6,700	274,064
Trans-Canada Pipe Lines Limited, of \$1	10,000	352,500
		<u>\$1,567,477</u>
MISCELLANEOUS (15.41%)		
Block Bros. Industries Ltd., n.p.v.	30,000	\$ 118,500
Famous Players Canadian Corporation Limited, n.p.v.	39,800	407,950
Grainger (W.W.), Incorporated, of \$1	30,000	719,625
Hoover Company (The), of \$2.50	10,000	405,313
Leisure Technology Corporation, of \$0.10	10,000	145,238
McDonnell Douglas Corporation, of \$1.25	20,000	424,200
Ramada Inns, Incorporated, of \$0.10	10,000	226,038
Teledyne Canada Ltd., n.p.v.	69,600	374,448
U.S. Natural Resources, Inc., of \$1	10,000	176,750
		<u>\$2,998,062</u>

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1970

SUMMARY

	Market Value	Approx. Percent
DEBENTURES	\$ 407,535	2.10%
PREFERRED STOCKS	\$1,201,744	6.18%
COMMON STOCKS		
Banks and Finance	\$ 2,093,138	10.76%
Drugs and Health Care	370,327	1.90
Food	624,073	3.21
Investment Companies	1,748,000	8.99
Metals and Mining	1,188,270	6.11
Office Equipment	320,928	1.65
Petroleum	4,292,801	22.07
Printing and Publishing	700,000	3.60
Pulp and Paper	908,815	4.67
Retailing	571,650	2.94
Transportation	457,425	2.35
Utilities	1,567,477	8.06
Miscellaneous	2,998,062	15.41
	<u>\$17,840,966</u>	<u>91.72%</u>
TOTAL INVESTMENTS	<u>\$19,450,245</u>	<u>100.00%</u>

Market values of securities quoted in United States dollars are expressed in Canadian funds at 1% premium.

